



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 4/16/2002

GAIN Report #MO2005

## Morocco

## Sugar

## Annual

## 2002

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### Report Highlights:

**Sugar production is expected to drop moderately because of the anticipated low production of sugar cane. The GOM still subsidizes sugar consumption and is heavily involved in the sugar processing sector in Morocco.**

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Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Rabat [MO1], MO

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## Production

Sugar beet production is expected to increase slightly because the adequate rainfall boosted yields in most beet growing areas, especially the rainfed fields. However, sugar cane production is anticipated to be down because of the lower harvested area. As a result, total sugar production is expected to be down and imports will be slightly higher.

### Sugar Cane

All sugar cane is irrigated and produced in the Gharb (vicinity of Kenitra), Loukkos (vicinity of Larach) and Moulouya (vicinity of Berkane). The area planted to sugar cane decreased significantly starting last year because the dry weather that prevailed forced farmers to provide irrigation water more frequently and thus increased the cost of production. Generally, the area planted to sugar cane is not likely to increase rapidly since there is not much land available in the irrigated perimeters unless farmers decide to plant sugar cane in place of other crops. During the past few years, most of the increase in sugar cane planting was in the Gharb and Loukkos areas. The area planted to sugar cane in Moulouya showed virtually no increase because of the lack of irrigated land.

### Sugar Beet

About 10 percent of the sugar beet fields are rainfed and located mostly in the Loukkos and Gharb. The adequate rainfall recorded throughout the sugar beet growing areas in Morocco this year is likely to boost yields, result in smaller production (irrigation) costs, and encourage farmers to grow more beet next year. However, the limited supply of irrigation water in some major dams in the Doukkala (vicinity of El Jadida) and Beni Mellal (vicinity of Beni Mellal) might limit the area planted to sugar beet in the irrigated perimeter next year.

### Farmer's Price

The price is set by negotiations between farmers organizations and sugar beet and cane processing plant (mostly GOM owned). The table below provides data on current support prices to farmers (dirhams per MT):

Area (Major City)	Sugar Beet	Sugar Cane
<b>Avg. Farmer Support Price</b>	325	220
<b>Additional Bonus</b>		
- Gharb (Kenitra)	45	
- Loukkos (Larach)	45	40
- Tadlda (Beni Mellal)	25	
- Moulouya (Berkane)	55	

Exchange Rate: (dirhams/\$): 11.2558

## Consumption

Nearly half of Morocco's sugar consumption consists of sugar cones. These cones are commonly used in rural areas where nearly half of the Moroccan population lives. Granulated sugar accounts for about 40 percent of the total while large and small cubes combined account for 12.6 percent.

The government continues to subsidize consumption at the retail level, resulting in artificially low consumer prices. The GOM sets consumer prices and wholesaler and retailer margins, resulting in a uniform price for refined sugar throughout the country. The GOM pays the sugar refineries a subsidy of 2,000 dirhams/MT (about \$177.68) for refined sugar regardless of the type of sugar (granulated, cubes or cones) produced. Partly because of this subsidy, Morocco has one of the highest per capita consumption rates of sugar in the world (over 30 kilograms).

The private sugar refinery COSUMAR accounts for nearly 70 percent of Morocco's sugar market and produces over 90 percent of the sugar cubes consumed in Morocco.

## Trade

Although some of the imports were bought by the public refinery SUTA and the GOM Sugar and Tea Company (ONTS), the private refinery COSUMAR still accounts for most of Morocco's sugar imports. Sugar imports consist mostly of raw sugar to be refined locally. Imports of refined sugar dropped significantly in 2001 compared to 1999 and 2000, when worker strikes at COSUMAR resulted in shortages of sugar cubes in the market and encouraged some companies to import refined sugar from France and Germany.

### Customs Duties

There has been no change in customs duties since October 5<sup>th</sup>, 1998 when the GOM adopted the new way the duties and taxes on imported sugar are computed. Under the current system, the GOM sets a threshold price for sugar. In addition to the base duty, there is an additional duty to which the imported sugar is subject to when the C&F price is less than the threshold price. The GOM applies the additional duties to the difference between the threshold price and the C&F price and results in a significant increase in duties.

Harmonized Code	17011100	17011200	17019110	17019120	17019991	17019992
Label	Raw Sugar		Sugar with Colorant / Flavoring		Other Sugar	
Type	Cane	Beet	Granulated	Cube/Loaf	Granulated	Cube/Loaf
<b>NEW SYSTEM (Oct.98)</b>						
Import duty ( <i>ad valorem</i> )	35.00%	35.00%	42.00%	47.00%	42.00%	47.00%
Parafiscal Tax	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Additional Duty (a)	123.00%	123.00%	124.00%	129.00%	124.00%	129.00%
Threshold Price (dirhams/MT)	3500.00	3500.00	4050.00	4450.00	4050.00	4450.00

Source: Official Bulletin 4627, October 5, 1998.

Exch.Rate (dh/\$):11.2558

NOTE: a) The additional duty is applied to the difference between threshold price and the declared C&F price. All duties and taxes are calculated on the C&F price plus the port charges.

## **Policy**

While sugar imports have been liberalized since 1996, sugar prices at the retail level are still fixed by the GOM at an artificially low level. Sugar refineries have been complaining about the reluctance of the GOM to liberalize retail prices of sugar. Presumably this would allow the refineries to compete for quality and pass on the fluctuations in world prices of sugar to the consumer. Liberalization could also mean an significant increase in consumer price for which the GOM is very sensitive for social reasons.

### **Privatization of Beet and Cane Processing Plants**

The privatization of the sugar beet and cane processing mills has been facing serious difficulties primarily because of the low return of these mills and the excessive number of employees working at those plants. The GOM has merged some companies in order to improve their productivity and made them more appealing to potential buyers. Currently, the GOM has announced no final agenda for privatization. However, it seems that four plants (SUTA, SURAC, CUCRAFOR, and SUNABEL) are the best candidates for privatization.

PSD Table						
Country	Morocco					
Commodity	Sugar Beets			(1000 HA)(1000 MT)		
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		05/2000		05/2001		05/2002
Area Planted	54	54	58	58	0	60
Area Harvested	53	53	58	57	0	58
Production	2824	2824	3000	3106	0	3200
TOTAL SUPPLY	2824	2824	3000	3106	0	3200
Utilization for Sugar	2824	2824	3000	3106	0	3200
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	2824	2824	3000	3106	0	3200
PSD Table						
Country	Morocco					
Commodity	Sugar Cane for Centrifugal			(1000 HA)(1000 MT)		
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Planted	22	21	21	21	0	18
Area Harvested	18	18	18	18	0	17
Production	1200	1325	1320	1321	0	1000
TOTAL SUPPLY	1200	1325	1320	1321	0	1000
Utilization for Sugar	1200	1325	1320	1321	0	1000
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	1200	1325	1320	1321	0	1000

PSD Table						
Country	Morocco					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Beginning Stocks	257	257	277	288	277	247
Beet Sugar Production	378	378	400	390	0	400
Cane Sugar Production	145	145	145	140	0	100
TOTAL Sugar Production	523	523	545	530	0	500
Raw Imports	492	552	450	477	0	550
Refined Imp.(Raw Val)	5	6	5	2	0	2
TOTAL Imports	497	558	455	479	0	552
TOTAL SUPPLY	1277	1338	1277	1297	277	1299
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	0	0	0	0	0	0
Human Dom. Consumption	1000	1050	1000	1050	0	1050
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1000	1050	1000	1050	0	1050
Ending Stocks	277	288	277	247	0	249
TOTAL DISTRIBUTION	1277	1338	1277	1297	0	1299

Import Trade Matrix, Morocco, Centrifugal Sugar			
Time period	Cal. Year	Units:	MT
Imports for:	1999		2000
U.S.		U.S.	
Others		Others	
Brazil	297300	Brazil	210700
South Afric.	80000	Guatemala	97046
Thailand	25000	El Salvador	65200
Columbia	21000	Australia	60000
Guatemala	20000	Mozambique	42000
El Salvador	14000	South Afr. Rep.	30000
France	7159	Costa Rica	27954
		Columbia	20000
		France	4322
		Germany	1078
Total for Others	464459		558300
Others not Listed	490		
Grand Total	464949		558300